

## Message Text

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PAGE 01 ROME 07113 031139Z

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

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R 031052Z MAY 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4330

TREASURY DEPARTMENT WASHDC

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TURIN

AMCONSUL TRIESTE

UNCLAS ROME 7113

E.O. 11652 N/A

TAGS: EFIN, IT

SUBJ: GOVERNMENT AND PARLIAMENT TIDY UP SOME DETAILS OF  
STABILIZATION PROGRAM

1. /SUMMARY/. OVER THE PAST SEVERAL WEEKS, THE GOVERN-  
MENT HAS TIED UP SOME LOOSE ENDS AND ADDED A NEW TWIST OR  
TWO TO THE STABILIZATION PROGRAM. COUNCIL OF MINISTERS APPROVED  
A DRAFT LAW AT MEETING OF APRIL 15 WHICH WOULD EXTEND "FISCALI-  
ZATION" BENEFITS BEYOND MANUFACTURING SECTOR TO PUBLIC SERVICES  
(E.G. BARS, RESTAURANTS, HOTELS) AND COMMERCIAL ENTERPRISES WHICH  
DEAL PRIMARILY IN THE EXPORT SECTOR. THE YOUTH EMPLOYMENT BILL  
WHICH HAS BEEN LANGUISHING IN PARLIAMENT SINCE ITS INTRODUCTION  
BY THE GOVERNMENT IN NOVEMBER 1976 WAS RESURRECTED AND  
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PAGE 02 ROME 07113 031139Z

VOTED BY THE SANTE AFTER A BROADSIDE DELIVERED BY  
THE UNIONS DURING THEIR NEGOTIATIONS WITH THE GOVERNMENT  
ON LABOR COSTS. AND FINALLY, A DECISION HAS BEEN TAKEN ON  
ISSUANCE PROCEDURES AND INTEREST RATES FOR TREASURY BONDS  
TO BE ISSUED AS FORCED SAVINGS FROM PARTIAL BLOCK OF SCALA  
MOBILE WHICH WAS APPROVED BY PARLIAMENT ON DECEMBER 9, 1976.  
/END SUMMARY/.

2. /FISCALIZATION/. THE COUNCIL OF MINISTERS APPROVED ON APRIL 15 A DRAFT BILL WHICH WOULD PERMIT GOVERNMENT TO ABSORB SOME OF EMPLOYERS' HEALTH INSURANCE COSTS IN THE COMMERCE, AND PUBLIC SERVICES SECTORS. THIS WOULD AFFECT APPROXIMATELY 240,000 WORKERS AND COST THE GOVERNMENT ABOUT 24-25 BILLION LIRE. THERE HAS BEEN SOME LOW-KEY CRITICISM OF THE MEASURE ORIGINATING MOSTLY FROM SECTORS WHICH HAVE NOT BEEN INCLUDED IN FISCALIZATION MEASURES BUT WHO FEEL THEY SHOULD BE INCLUDED, AND FROM SOME WHO CRITICIZE THE FURTHER INCREASE IN GOVERNMENT EXPENDITURE WITHOUT SUPPORTING REVENUE MEASURES. TEXT OF THE MEASURE IS NOT AVAILABLE AS IT HAS APPARENTLY NOT YET BEEN SENT TO PARLIAMENT.

3. /YOUTH EMPLOYMENT/. THE GOVERNMENT WITH GREAT FANFARE IN LATE OCTOBER OF 1976 APPROVED A COMPREHENSIVE DRAFT LAW FOR PROVIDING EMPLOYMENT FOR THE LARGE NUMBER OF YOUNG NEW ENTRANTS IN THE LABOR FIELD WHO HAVE BEEN UNABLE TO FIND SUITABLE EMPLOYMENT. THE PLAN WAS DESIGNED TO ACCOMMODATE APPROXIMATELY 420,000 OF SUCH YOUTHS AND TO COST APPROXIMATELY 400 BILLION LIRE. HOWEVER, THERE HAD BEEN NO ACTION FROM THE PARLIAMENT SINCE ITS RECEIPT OF THE GOVERNMENT'S DRAFT BILL UNTIL CRITICISM FROM THE UNIONS OF FAILURE TO SOLVE THE PROBLEM OF YOUTH UNEMPLOYMENT BUBBLED OVER IN THE RECENT(MARCH) UNION AND GOVERNMENT TALKS ON REDUCTION OF LABOR COSTS. ON APRIL 28, THE SENATE APPROVED A MODIFIED BILL WHICH WILL PROVIDE 1,060 BILLION LIRE OF ASSISTANCE FROM 1977 THROUGH 1980, WITH THE OUTLAYS EXPECTED TO BE MADE IN 1977 OF 90 BILLION LIRE, 380 BILLION LIRE IN 1978, 320 IN 1979 AND 270 IN 1980. EMPLOYMENT SUBSIDIES WILL BE TWICE AS GREAT IN THE SOUTH AS IN THE NORTH, AND THERE UNCLASSIFIED

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PAGE 03 ROME 07113 031139Z

WILL BE SEPARATE ASSISTANCE PROGRAMS FOR THOSE PROFESSIONALLY QUALIFIED AND THOSE LACKING PRODUCTIVE TECHNICAL TRAINING. THE MEASURE STILL MUST PASS THE CHAMBER OF DEPUTIES.

4. /SCALA MOBILE SAVINGS BONDS./ THE GOVERNMENT ISSUED OFFICIAL INSTRUCTIONS ON APRIL 22 FOR CONVERTING THE FORCED SAVINGS RESULTING FROM THE PARTIAL FREEZE OF THE SCALA MOBILE AT THE 6 MILLION LIRE SALARY LEVEL AND TOTAL FREEZE ABOVE THE 8 MILLION LIRE SALARY LEVEL. THE ESSENTIAL ELEMENTS OF THE INSTRUCTION PROVIDE FOR THREE BOND ISSUANCES CONVERGING THE RESPECTIVE PERIODS FEBRUARY-JUNE 1977, JULY-DECEMBER 1977, AND JANUARY-MAY, 1978. THE BONDS WILL NOT BE NEGOTIABLE FOR FIVE YEARS AND THE FIRST SERIES WILL CARRY A 14 PERCENT INTEREST. INTEREST FOR THE SUBSEQUENT ISSUES WILL BE DETERMINED AT A LATER DATE AND DEPEND UPON MARKET CONDITIONS CURRENT AT THAT TIME. THE FREEZE BECAME EFFECTIVE ON FEBRUARY 1, 1977, AND WILL LAST THROUGH APRIL 1978. GARDNER

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009